

**BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA**

Order Instituting Rulemaking to Establish a
Framework and Processes for Assessing the
Affordability of Utility Service

Rulemaking (R.) 18-07-006
(Filed July 12, 2018)

**REPLY COMMENTS OF PACIFIC GAS AND ELECTRIC COMPANY
(U 39 M) ON THE ADMINISTRATIVE LAW JUDGE'S RULING
INVITING COMMENTS ON STAFF PROPOSAL**

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Dated: September 20, 2019

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I. INTRODUCTION

Pacific Gas and Electric Company (PG&E) respectfully submits these reply comments to the opening comments filed by other parties on or about September 10, 2019, pursuant to the “Administrative Law Judge’s Ruling Inviting Comments on Staff Proposal,” (Ruling) issued August 20, 2019. The Attachment to the Ruling is the “Staff Proposal on Essential Service and Affordability Metrics” (Staff Proposal) dated August 20, 2019. Opening comments were received from Southern California Edison Company (SCE), San Diego Gas and Electric Company (SDG&E) and Southern California Gas Company (SoCalGas), Southwest Gas, Public Advocates Office, The Utility Reform Network (TURN), the Utility Consumers’ Action Network (UCAN), Center for Accessible Technology (CforAT), California Community Choice Association (CalCCA), Greenlining, GRID Alternatives, PacifiCorp, California Water Association (CWA), ATT, and the Small LECs. PG&E replies to comments from TURN, UCAN, GRID Alternatives and Public Advocates Office.

II. DISCUSSION

1. Non-utility household expenses should not be included in the calculation of the affordability metrics and utility expenses should not be moved to the denominator of the Affordability Ratio

PG&E would like to reiterate its support of the Commission’s goal to improve understanding of affordability across utilities in a manner that is feasible for implementation and

takes into account parties' resource constraints. In their opening comments, however, TURN, UCAN, and GRID Alternatives reestablish the request to include additional non-utility household expenses in the calculation of the Affordability metrics.^{1/} As PG&E has previously stated, the inclusion of non-utility household expenses conflicts with accepted principles of utility ratemaking. Specifically, from an economic perspective, the inclusion of such expenses can obscure cost causation, as well as dilute and confuse price signals sent to customers. PG&E agrees with the Staff's decision to limit the inclusion of non-utility household expenses to the cost of housing (i.e. rent, mortgage), rather than foregoing ease of implementation and usability of the metrics to include all potential ongoing expenses incurred by a household.

The collection, retention, and updating of each additional non-utility household expense increases the burden placed on Commission Staff, the IOUs, and all parties reviewing the Affordability metrics as each additional source of data must be thoroughly vetted. The potential for sampling errors also increases substantially for each additional non-utility household expense included as these expenses come from samples of the population and are not accurate enough to be relied on when determining the affordability of utility services.

Additionally, as PG&E previously discussed, "policies (rates and otherwise) targeted at controlling metrics that include non-utility expenses as a component only affect utility expenses insofar as utility expenses form a dominant part of the metric."^{2/} Therefore, should the affordability metrics include all non-utility household expenses, the metrics effectively become useless as a gauge for managing utility expenses and instead become a measurement of household expense affordability et large. This ensures that the affordability metrics can't accurately or reliably be used to make decisions regarding utility affordability or inform utility affordability policies.

^{1/} TURN, UCAN, and GRID Alternatives Opening Comments on the Ruling.

^{2/} PG&E's Reply Comments to Administrative Law Judge's Ruling Adding Workshop Presentations into the Record and Inviting Post-Workshop Comments (Workshop Ruling), p.6.

In its opening comments, the Public Advocate’s Office recommends that “[t]he Commission should simplify the [Affordability Ratio (AR)] and [Hours of Minimum Wage (HM)] metric by only reflecting the bill of the specific industry being measured in the numerator and accounting for the combined bills of the remaining utilities in the denominator. . . . Measuring the AR metric using all three utilities in the numerator is problematic because it dilutes the changes in affordability of each utility service”.^{3/} PG&E agrees with the general principle that affordability should be judged in the context of a single utility’s bill. PG&E supports clarity in how we measure affordability of those rates. However, the specific metric described here adds a calculation but does not improve our level of information. The Public Advocates Office’s quoted language actually provides a good reason for leaving other utilities’ bills out of the calculation completely, rather than moving them into the denominator. We already have good measures of the affordability of any utility taken in isolation: the bill itself, and the share of wallet/energy burden calculations that have been presented in other venues and previously recommended by parties throughout this proceeding. Indeed, the Modified Affordability Ratio (MAR) presented in Tables 1 and 2 is largely redundant with, but more complex than, those existing calculations.^{4/} It is not needed.

2. The number of Disconnections and arrearages should be tracked and determined in the Disconnections OIR and not included in the suite of affordability metrics

PG&E disagrees with CalCCA and UCAN’s recommendation to adopt metrics or to track the number of customers in arrears and the number of disconnections. These numbers are tracked as part of the Disconnect OIR proceeding, where the goal is to reduce the number of disconnects in California by 2024 by implementing various policies and programs.

^{3/} Public Advocates Office Opening Comments on the Ruling, p. 6.

^{4/} *Ibid*, p. 7.

3. Affordability metrics should not be calculated in formal or informal proceedings, and should instead be reported on an annual basis

PG&E disagrees with the Public Advocates Office recommendation for Staff to “track and use the Affordability Ratio (AR) and Hours of Minimum Wage (HM) metrics in formal (e.g. applications) and informal (e.g., advice letter) utility filings”.^{5/} As previously mentioned, “implementing a metric in rate-setting [and other] proceedings is burdensome and can lead to the metric transforming into a burden of proof standard in a specific proceeding”. Instead, as recommended by Public Advocates Office and TURN, Affordability metrics should be reported on annually for analyzing and tracking of the affordability of utility services over time. Should the Commission decide on a more frequent reporting requirement for the affordability metrics, PG&E recommends that the Commission move forward with, at the most frequent, a semi-annual reporting requirement, originally proposed by TURN.^{6/}

4. There should not be affordability ranges or binary thresholds

In their opening comments, TURN recommends that “the Commission should establish guidance for affordability ranges”.^{7/} In the opening comments to the Staff Proposal, TURN changes its recommendation from affordability threshold’s to affordability ranges, however TURN changing the word “threshold” to “ranges” does not, in fact, change what TURN is requesting. TURN claims that “ranges reflecting varying degrees of affordability” are needed to make the data useful and valuable. PG&E disagrees. PG&E reiterates its agreement with the Public Advocates Office in “strongly [urging] the Commission to avoid establishing a threshold for any affordability metric. Instead, the Commission should create an affordability framework that is designed to assess (rather than determine) affordability, and the framework should focus on how the affordability metrics are changing over time (rather than relative to a particular threshold).”^{8/} Replace the word “threshold” with the word “range” and the same recommendation stands. Additionally, PG&E agrees with Public Advocates Office

^{5/} Public Advocates Office Opening Comments on the Ruling, p. 4.

^{6/} TURN’s Opening Comments on the Ruling, p.10.

^{7/} *Ibid*, p. 1.

^{8/} Public Advocates Office Opening Comments on the Workshop Ruling, pp. 35-36.

